

Message Text

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SUBJ: AUSTRALIAN TEXTILE IMPORT RESTRICTIONS

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1. FORMER AMBASSADOR TO AUSTRALIA WILLIAM BATTLE, CURRENTLY VISITING CANBERRA AT SUGGESTION OF EB TO EXPLORE AUSTRALIAN TEXTILE IMPORT RESTRICTIONS, CALLED APRIL 11 ON MAKAY, PERMANENT SECRETARY, OVERSEAS TRADE. PURPOSE OF VISIT, ON WHICH BATTLE ACCOMPANIED BY EMBOFF, WAS TO DISCUSS U.S. INDUSTRY'S CONCERN OVER RECENT AUSTRALIAN TEXTILE IMPORT RESTRICTIONS.

2. MCKAY, SUPPORTED BY DEPSECS OVERSEAS TRADE SCULLY AND BURTON, OUTLINED FAMILIAR AUSTRALIAN POSITION STRESSING (1) SHARP INCREASES IN IMPORTS WHICH FOLLOWED AUSTRALIAN REVALUATION AND TARIFF REDUCTION ACTIONS IN 1972-1973; (2) RESULTING SEVERE UNEMPLOYMENT IN PARTICULAR IMPORT-AFFECTED INDUSTRIES, INCLUDING 30 PCT. UNEMPLOYMENT IN SOME SECTORS OF TEXTILE INDUSTRY; (3) GOA VIEW THAT PRESENT SHARP RESTRICTIONS ARE TEMPORARY; (4) SHARP RESTRICTIONS ON PARTICULAR ITEMS IN CURRENT YEAR DESIGNED TO WORK
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DOWN SWOLLEN IMPORTED INVENTORIES; (5) 1976 INTENTION IS TO

ALLOW SUBSTANTIALLY HIGHER LEVEL OF RESTRICTED IMPORTS; (6) EVENTUAL INTENTION, SUBJECT TO ECONOMIC RECOVERY AND FULL REVIVAL OF EMPLOYMENT, IS SUBSTANTIALLY TO PHASE DOWN THE LEVEL OF AUSTRALIAN TEXTILE AND CONSUMER ELECTRONICS INDUSTRIES.

3. SCULLY INDICATED GOA ACCEPTS THAT TEXTILE AND CONSUMER ELECTRONICS AREAS AS TWO PRINCIPAL AREAS IN WHICH TRADING PARTNERS, ESPECIALLY IN DEVELOPING COUNTRIES OF ASIA, MUST BE ABLE TO BUILD UP THEIR EXPORTS TO AUSTRALIAN MARKET. TO THIS END, EVENTUAL GOA IS SHARPLY TO REDUCE THESE AUSTRALIAN INDUSTRIES BY MEASURES WHICH WOULD INCLUDE BOTH NORMAL ATTRITION AND LIQUIDATION WITH DIRECT ADJUSTMENT PAYMENTS.

4. BATTLE ASKED WHETHER GOA WOULD BE WILLING TO PARTICIPATE IN BILATERAL NEGOTIATION AS CONTEMPLATED IN MFA. MCKAY, SPEAKING FOR SELF AND SUBJECT MINISTERIAL CONCURRENCE OF WHICH HE WAS QUITE CONFIDENT, SAID GOA WOULD BE HAPPY TO RECEIVE AN AMERICAN PROPOSAL FOR BILATERAL DISCUSSIONS AND WOULD FAVOR HAVING SUCH DISCUSSIONS COVER ENTIRE RANGE OF PROTECTIVE MEASURES ON BOTH SIDES RATHER THAN TEXTILES ALONE.

5. IN SUBSEQUENT DISCUSSION IT BECAME CLEAR THAT MCKAY VISUALIZED SUCH BILATERAL TALKS NOT AS NEGOTIATIONS LEADING TO POSSIBLE CHANGES IN CURRENT ARRANGEMENTS, BUT RATHER AS EXCHANGES OF VIEWS DESIGNED TO IMPROVE UNDERSTANDING ON BOTH SIDES AND ENSURE BEST POSSIBLE BASIS FOR ADDITIONAL FUTURE POLICY DECISIONS BY BOTH GOVERNMENTS. BATTLE ASKED WHETHER SUCH TALKS, AS THEY RELATED TO TEXTILES, MIGHT NOT BE BILATERAL NEGOTIATION IN SENSE CONTEMPLATED BY MFA. MCKAY REPLIED VAGUELY IN THE AFFIRMATIVE, BUT DID NOT PIN DOWN PRECISE WAY IN WHICH T/R FOR SUCH DISCUSSIONS, SO FAR AS TEXTILES WERE CONCERNED, WOULD DIFFER FROM THOSE RELATING TO OTHER TRADE RESTRICTIONS.

6. MCKAY EMPHASIZED HE WELCOMED BATTLE'S APPROACH WITH RESPECT TO U.S. TEXTILE INDUSTRY'S SPECIAL INTEREST AND PROBLEMS, INDICATING APPROACH WAS PARALLEL TO SIMILAR TEXTILE APPROACHES RECEIVED EARLIER FROM EUROPEANS AND JAPANESE, AND HELPFUL TO AUSTRALIANS.

7. BATTLE HAD FOLLOW-UP INTERVIEW EARLY 14 APRIL WITH MINISTER OF LIMITED OFFICIAL USE

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OVERSEAS TRADE CREAN, ACCOMPANIED BY WILKINSON, ASSISTANT SECRETARY, INTERNATIONAL ORGANISATIONS BRANCH, DOT. CREAN UNFAMILIAR WITH BACKGROUND INCLUDING EARLIER MEETING WITH MCKAY, BUT CLEARLY INDICATED HE WOULD ENDORSE MCKAY'S RECEPTIVENESS TO PROPOSALS FOR GOA-USG TALKS ON TRADE POLICY ISSUES. WILKINSON, IN MORE DETAILED REVIEW OF PRESENT STATUS GOA TEXTILE RESTRICTIONS, QUESTIONED FEASIBILITY ANY U.S.-AUSTRALIA BILATERAL NEGOTIATION UNDER MFA AT THIS TIME. GOA BASES PRESENT TEXTILE RESTRICTIONS

ON GATT RATHER THAN MFA AND PRESENT SHARPLY RESTRICTED SHIPMENT LEVELS DOES NOT PROVIDE A BASE FOR MFA BILATERAL NEGOTIATIONS.

8. BATTLE ASKED WHETHER IT WOULD BE POSSIBLE FOR GOA TO CONSIDER MODIFICATIONS IN TEXTILE CATEGORIES DESIGNED TO CONCENTRATE CURRENT RESTRICTIONS ON DIRECTLY COMPETITIVE ITEMS AND EXCLUDE HIGH QUALITY NON-COMPETITIVE LINES. WILKINSON INDICATED GOA WOULD BE WILLING TO RECEIVE, WITHOUT COMMITMENT, USG IDEAS ALONG THIS LINE. BECAUSE LICENSES ALREADY ISSUED FOR CURRENT YEAR ON PRESENT COMMODITY COVERAGE, ANY CHANGES OF THIS TYPE IF OTHERWISE FEASIBLE COULD NOT BE MADE EFFECTIVE UNTIL ARRANGEMENTS DESIGNED FOR SECOND FULL YEAR OF CURRENT RESTRICTIONS.

9. EMBASSY COMMENT: WE WELCOME RENEWED GOA ASSURANCES OF LONG-TERM INDUSTRIAL RESTRUCTURING INTENTIONS. MEANWHILE, MCKAY'S WILLINGNESS TO ENTERTAIN REQUEST FOR BILATERAL TALKS NOT SURPRISING IN VIEW FACT THAT TERMS OF REFERENCE HE DESCRIBED MAKE SUCH TALKS ESSENTIALLY A GENERALIZED CONSULTATION. WHILE MCKAY AGREED THAT TERMS OF REFERENCE ON ANY TEXTILE DISCUSSION WOULD DIFFER FROM THOSE IN DISCUSSION OF OTHER PRODUCTS, HE DID NOT COMMIT HIMSELF ON SUBSTANCE OF THE DIFFERENCE.

10. GIVEN THE PRIORITY GOA ATTACHES POLITICALLY TO ITS EMPLOYMENT OBJECTIVES AND THEREFORE TO ITS IMPORT MEASURES, WE ARE NOT CONFIDENT THAT THE U.S. HAS MUCH TO GAIN BY EARLY ACROSS-THE-BOARD BILATERAL TRADE DISCUSSIONS ON THE BASIS MCKAY HAS DESCRIBED. HIS RECEPTIVENESS MAY BE MOTIVATED NOT ONLY BY NORMAL WILLINGNESS TO CONSULT BUT ADDITIONALLY BY THE IDEA THAT IF U.S. ENERGIES ARE DRAWN INTO A PRIVATE BILATERAL CHANNEL THE U.S. ENERGY AVAILABLE FOR PURSUING THESE ISSUES MULTILATERALLY IN OECD AND GATT CHANNELS WOULD BE REDUCED. FOR THESE REASONS, EMBASSY BELIEVES IT WOULD BE PREFERABLE TO DEFER ANY DECISION ON THE MERITS OF HOLDING SUCH A BILATERAL CONSULTATION.
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11. THE QUESTION OF MAKING USG PROPOSALS TO THE GOA FOR CHANGES IN ITS RESTRICTIVE TEXTILE ARRANGEMENTS IS A SEPARATE MATTER. THE EMBASSY IS AWARE THAT NUMEROUS MOVES ARE UNDER WAY OR CONTEMPLATED IN TSB AND GATT ON THE TEXTILE ISSUE AND IS IN NO POSITION TO JUDGE LOCALLY WHETHER A SEPARATE U.S. APPROACH TO MITIGATE THE PRESENT REESTRICTIONS FITS INTO THE LARGER STRATEGY THE USG IS FOLLOWING ON THE TEXTILE ISSUE.

12. ACTION REQUESTED: (1) WE HAVE AN OBLIGAATION TO RETURN TO MCKAY IN THE REASONABLY NEAR FUTURE WITH SOME INDICATION OF WHETHER THE USG DOES OR DOES NOT WISH TO PURSUE THE BILATERAL NEGOTIATION SUGGESTION WHICH FORMER AMBASSADOR BATTLE BROACHED. THE DEPARTMENT'S INSTRUCTIONS ARE REQUESTED ON WHAT ANSWER WE SHOULD GIVE MCKAY ON THE QUESTION OF AN ACROSS-THE-BOARD

CONSULTATION. (2) OUR ANSWER TO MCKAY NEED NOT COVER THE QUESTION
OF POSSIBLE USG PROPOSALS FOR MODIFICATIONS IN THE TEXTILE
ARRANGEMENTS, BUT THE EMBASSY WOULD ALSO APPRECIATE IN DUE COURSE
AN INDICATION OF WHETHER THE DEPARTMENT CONTEMPLATES PURSUING
THIS SUGGESTION.
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